


ANNUAL
REPORT

1967

C
HIMO
GOLD MINES
L I M I T E D

FOR THE YEAR ENDED DECEMBER 31, 1967



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DIRECTORS

A. C. MOSHER - - - - - Toronto, Ontario
D. W. FALCONER - - - - - Toronto, Ontario
F. W. GRAHAM - - - - - Toronto, Ontario
D. J. HAINS - - - - - Oakville, Ontario
F. W. WEST - - - - - Beamsville, Ontario

OFFICERS

A. C. MOSHER - - - - - President
D. W. FALCONER - - - - - Vice-President
D. A. HUNTLEY, C.A. - - - - - Secretary

HEAD OFFICE

SUITE 1000, MONTREAL TRUST TOWER, 11 KING STREET, WEST
Toronto 1, Ontario

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TRANSFER AGENT AND REGISTRAR

NATIONAL TRUST COMPANY
Toronto 1, Ontario

•

AUDITORS

RIDDELL, STEAD, GRAHAM & HUTCHISON
Toronto 1, Ontario

•

BANKERS

CANADIAN IMPERIAL BANK OF COMMERCE
Toronto 1, Ontario

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SOLICITORS

HOLDEN, MURDOCH, WALTON, FINLAY, ROBINSON, PEPALL & HARVEY
Toronto 1, Ontario

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ANNUAL MEETING

March 6, 1968, 11 A.M. (Toronto Time)
Nova Scotia Room, Royal York Hotel
Toronto 1, Ontario





President's Report

TO THE SHAREHOLDERS:

On behalf of the Board of Directors, it is my pleasure to present herewith the Annual Report of the Company for the year ended December 31, 1967.

With the closing of the Company's producing gold property on August 31, 1967, the efforts of the Company have been turned to the exploration field. The major area of interest at the present time is located in the Kapikotongwa Lake area, about 40 miles north of Nakina, Ontario. Interest was attracted to the area because of the location of base metal mineralization by prospectors employed by associated Companies. To date your Company has an interest in 170 mining claims covering nine miles of an east-west geological structure and including the initial prospectors' discovery. Other participants with your Company in the various properties include United States Smelting Refining and Mining Company and Nakina Mines Limited. Your Directors feel that the properties have considerable merit and that a thorough exploration program is warranted. Geophysical crews are presently working on the properties as a first step in this program.

Exploration rights have also been acquired to two properties which have merit as uranium prospects, and a program will be performed in the ensuing year.

Associated Companies

CALMOR IRON BAY MINES LIMITED will receive first income in 1968 from its 20% royalty interest in production from the Griffith Mine. With the earning of income Calmor will also become more active in the exploration field. The initial activity will be carried on in the Kapikotongwa Lake area through Nakina Mines Limited. Your Company owns 1,000,000 shares of Calmor, representing a 39% interest.

LAKE-OSU MINES LIMITED and URANIUM RIDGE MINES LIMITED are both active in exploration to the extent their resources will allow. During the prospecting season the above Companies, together with CALMOR, jointly sponsored a prospecting party. This party made the initial discovery in the Kapikotongwa Lake area and the three sponsoring Companies have organized Nakina Mines Limited to explore the property. Your Company will participate in this project by underwriting shares of Lake-Osu and Uranium Ridge and, among other things, will receive options on shares of Nakina. Full details of this transaction are supplied in the Information Circular accompanying this report. After the underwritings noted above your Company will own 831,500 shares of Lake-Osu, representing a 22% interest, and 532,655 shares of Uranium Ridge, representing a 21% interest.

Investments

The Company's investment in 1,000,000 trust shares of THE IRON BAY TRUST will produce its first income in 1968 through its 80% royalty interest in production from the Griffith Mine. This income will provide the financial resources for the Company's exploration activities.

Gold Mine

The closing of the Company's mine in Vauquelin Township, Quebec, on August 31, 1967, was deeply regretted by the Board. Underground diamond drilling extended the

continuity of the geological structure, particularly at depth; however, sufficient values were not obtained to justify the development costs which would be required to investigate same at the present time. The Board wishes to extend its appreciation to the mine employees and particularly to the Mine Manager, Mr. D. G. Valentine.

On behalf of the Board,

A. C. MOSHER,
President.

February 6, 1968.



BALANCE SHEET AS OF DECEMBER 31, 1967

ASSETS		1967	1966
CURRENT			
Cash		\$ 31,856	39,185
Short-term investments, at cost (which approximates market), plus accrued interest		281,500	—
Bullion at net realizable value		—	122,309
Estimated amount receivable under the Emergency Gold Mining Assistance Act (Note 1)		99,498	130,212
Accounts receivable		23,557	16,877
Mine stores and supplies, at average cost		—	18,859
Prepaid expenses		3,370	8,374
		<u>439,781</u>	<u>335,816</u>
SPECIAL REFUNDABLE TAX, plus accrued interest		20,786	17,000
INVESTMENTS, at cost		759,740	759,740
Including:			
1,000,000 Trust Shares of The Iron Bay Trust (quoted market value \$4,000,000)			
Shares in associated mining companies (including 1,000,000 shares of Calmor Iron Bay Mines Limited with a quoted market value of \$1,250,000)			
MINING PROPERTIES (Note 2)			
Mining claims and properties, at nominal value	\$ 1		
Mining buildings, machinery and equipment, at estimated realizable value	100,000	100,001	1,377,148
PROSPECTING AND HEAD OFFICE EQUIPMENT, at cost less accumulated depreciation of \$15,144 (\$13,634 in 1966)		10,472	8,409
		<u>\$1,330,780</u>	<u>2,498,113</u>

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AT DECEMBER 31, 1967

LIABILITIES

	1967	1966
CURRENT		
Bank loan	\$ —	295,000
Accounts payable and accrued	18,026	72,328
Special refundable tax	—	17,000
	<u>18,026</u>	<u>384,328</u>

SHAREHOLDERS' EQUITY

CAPITAL STOCK			
Authorized			
3,500,000 shares par value \$1 each			
Issued			
3,351,086	\$3,351,086		
Less discount	<u>1,224,167</u>	2,126,919	2,126,919
DEFICIT		<u>(814,165)</u>	<u>(13,134)</u>
		<u>1,312,754</u>	<u>2,113,785</u>
		<u>\$1,330,780</u>	<u>2,498,113</u>

On behalf of the Board:

A. C. MOSHER, Director.

F. W. GRAHAM, Director.

AUDITORS' REPORT

To the Shareholders
CHIMO GOLD MINES LIMITED

We have examined the balance sheet of Chimo Gold Mines Limited as at December 31, 1967 and the statements of income and deficit and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1967 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied, except for the change in accounting for mining claims and properties referred to in Note 2, on a basis consistent with that of the preceding year.

Toronto, Ontario
January 19, 1968.

RIDDELL, STEAD, GRAHAM & HUTCHISON,
Chartered Accountants.



STATEMENT OF INCOME AND DEFICIT

For the year ended December 31, 1967

	1967	1966
REVENUE		
Bullion production (Note 4)	\$ 759,595	1,451,066
Estimated assistance under the Emergency Gold Mining Assistance Act (Note 1)	78,422	130,212
Investment income	6,437	—
	<u>844,454</u>	<u>1,581,278</u>
EXPENSES		
Mine development	62,261	90,884
Mining	200,012	455,434
Milling	127,606	239,635
Ore haulage	36,657	73,469
Marketing expenses	7,897	13,205
General and administrative, at the property	82,736	115,883
Administrative and corporate	28,959	22,615
Interest paid	2,749	32,927
	<u>548,877</u>	<u>1,044,052</u>
OPERATING INCOME	295,577	537,226
Application of operating income to reduction of mine capital cost	295,577	537,226
	<u>295,577</u>	<u>537,226</u>
OTHER EXPENSES		
Maintenance and carrying costs of mine property incurred subsequent to shutdown	10,518	—
Outside exploration	8,706	—
NET EXPENSES	<u>19,224</u>	<u>—</u>
Write-down of mining claims and properties to nominal value (Note 2)	781,807	—
Deficit at beginning of year	13,134	13,134
DEFICIT AT END OF YEAR	<u>\$ 814,165</u>	<u>13,134</u>



STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the year ended December 31, 1967

	1967	1966
SOURCE OF FUNDS		
Operating income	\$ 295,577	537,226
Depreciation of prospecting and head office equipment	4,300	3,100
Funds provided from operations	299,877	540,326
Proceeds from disposal of mine plant and equipment	199,763	—
	<u>499,640</u>	<u>540,326</u>
APPLICATION OF FUNDS		
Other expenses for the year	19,224	—
Buildings and equipment	—	106,386
Deferred development expenditures	—	32,579
Expenditures on other mining claims	—	838
Special refundable tax	3,786	17,000
Additions to prospecting and head office equipment (net) ...	6,363	—
	<u>29,373</u>	<u>156,803</u>
IMPROVEMENT IN WORKING CAPITAL POSITION	<u>470,267</u>	<u>383,523</u>
Working capital deficiency at beginning of year	(48,512)	(432,035)
WORKING CAPITAL (DEFICIENCY) AT END OF YEAR	<u>\$ 421,755</u>	<u>(48,512)</u>



NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 1967

- NOTE 1. The Company's claim for assistance under the Emergency Gold Mining Assistance Act is subject to audit and approval by the Federal Government.
- NOTE 2. The Company has changed its accounting practice for expenditures on mining claims and properties which are in the exploration stage, or are non-producing. Heretofore, the Company has capitalized all costs in connection with the acquisition and exploration of mining claims and has written off unrecovered costs upon the abandonment of the claims. In 1967 all costs of this nature are being written off to deficit, resulting in a total write-off of \$781,807 and will hereafter be carried on the balance sheet at the nominal value of \$1. In future all exploration costs will be written off as incurred. Excluded from the above write-off are certain pieces of mining plant and equipment from the Company's former producing property, which the Company feels will have a realizable value in the order of \$100,000.
- NOTE 3. The Company has agreed to purchase 200,000 unissued shares of Lake-Osu Mines Limited for \$50,000 and 200,000 unissued shares of Uranium Ridge Mines Limited for \$50,000 and have thereby earned the right to participate in an exploration venture through Nakina Mines Limited. The agreement will become effective upon the approval of same by shareholders of both of the vendor companies.
- NOTE 4. Income from the Vauquelin Township property is exempt from tax for a three-year period which commenced on January 1, 1966. The property ceased production on August 31, 1967.
- NOTE 5. The Company has been named the defendant in an action in the Quebec courts for \$50,000 damages as the result of an accidental death on the property. The Company is defending itself against the action and in the opinion of counsel the Company has a valid defence.
- NOTE 6. The aggregate direct remuneration paid to the directors and senior officers (as defined by the Corporations Act) of the Company totalled \$38,631.

CHIMO GOLD MINES LIMITED

NOTICE OF ANNUAL AND GENERAL MEETING OF SHAREHOLDERS

NOTICE is hereby given that an Annual and General Meeting of the Shareholders of Chimo Gold Mines Limited will be held at the Nova Scotia Room, The Royal York Hotel, Front Street, Toronto, Ontario, on Wednesday, the 6th day of March, 1968, at the hour of 11:00 o'clock in the forenoon (Toronto Time) for the following purposes:—

1. To consider and if deemed advisable to approve and confirm the execution by the Company of the Underwriting and Option Agreement dated December 8, 1967 made between the Company and Lake-Osu Mines Limited (Lake-Osu). (See Information Circular accompanying this Notice for particulars of Agreement).
2. To consider and if deemed advisable to approve and confirm the execution by the Company of the Underwriting and Option Agreement dated December 8, 1967 made between the Company and Uranium Ridge Mines Limited (Uranium Ridge). (See Information Circular for particulars of Agreement).
3. To receive Reports (including Financial Statements), to elect Directors, to appoint Auditors and authorize the Directors to fix their remuneration, and to transact such further or other business as may properly come before the Meeting or any adjournment thereof.

Copies of the aforesaid Agreements may be inspected at the office of the Company, at 1000, 11 King Street West, Toronto 1, Ontario, during normal business hours at any time before the Meeting.

The following directors of the Company, viz: D. W. Falconer, F. W. Graham, D. J. Hains, A. C. Mosher and Frank West are interested in each of the two Agreements to be submitted to the Meeting for approval and confirmation in that they are directors and/or officers and/or shareholders of each of Uranium Ridge and Lake-Osu.

A copy of the Reports and Financial Statements to be submitted to said Meeting is forwarded herewith.

DATED at Toronto, Ontario, this 6th day of February, 1968.

By Order of the Board,

D. A. HUNTLEY,
Secretary.

NOTE: Shareholders who are unable to attend the Meeting in person are requested to sign and return the enclosed form of proxy.

CHIMO GOLD MINES LIMITED

INFORMATION CIRCULAR FOR Annual and General Meeting of Shareholders to be held March 6, 1968

This information circular accompanies Notice of the Annual and General Meeting of Shareholders of Chimo Gold Mines Limited to be held March 6, 1968 and is furnished in connection with the solicitation by the Management of the Company of proxies for use at such Meeting. The costs of such solicitation of proxies will be borne by the Company. It is planned that the solicitation will be initially by mail but proxies may also be solicited by regular employees of the Company. A shareholder giving a proxy in the form enclosed with the Notice of Meeting has the power to revoke it at any time before it is exercised.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

3,351,086 shares with a par value of \$1 each of the Company are outstanding, each of which entitles the holder to one vote at all meetings of shareholders.

Shareholders of record on March 6, 1968, the date of the Annual and General Meeting, are entitled to vote. Those shareholders desiring to be represented thereat by a nominee must deposit their proxies with the Company prior to the commencement of the meeting.

Calmor Iron Bay Mines Limited owns beneficially 400,000 shares of the Company being approximately 12% of the shares of the Company outstanding.

ELECTION OF DIRECTORS

It is proposed to nominate the persons listed below as Directors of the Company, to serve until the next Annual Meeting of the Shareholders or until their successors are duly elected or appointed, unless any such person is not available to act as a Director, in which event a substitute may be nominated:—

Name of Nominee	Office with Company	Director Since	Principal Occupation and Prior Association	Number of Shares of the Company Beneficially Owned
Donald W. Falconer	Vice-President	1958	Solicitor and partner in Holden, Murdoch, Walton, Finlay, Robinson, Pepall & Harvey	100
Forrest W. Graham	None	1945	Vice-President and Director of Bongard, Leslie & Co. Ltd.	205,500
Donald J. Hains	None	1964	President of Lurgi Canada Ltd. since 1966 and president of Hains Engineering Company Limited since 1954	3,000
Alexander Clifford Mosher	President	1958	President of Chimo Gold Mines Limited	69,000
Frank W. West	None	1958	Retired	2,100

REMUNERATION OF MANAGEMENT AND OTHERS

The aggregate direct remuneration paid by the Company to directors and senior officers of the Company at any time during the year ended December 31, 1967 was \$38,631.

APPOINTMENT OF AUDITORS

Proxies solicited by the Management will be voted in favour of the appointment of Riddell, Stead, Graham & Hutchison as Auditors of the Company.

PARTICIPATION IN PLAN FOR EXPLORATION OF THE MINING PROPERTY OF NAKINA MINES LIMITED

The Company is participating in a plan which has as its principal objective, the exploration and development through Nakina Mines Limited (Nakina) of a certain mining property located in the Kapikotongwa Lake Area in Northern Ontario, comprising 40 mining claims (the Property).

Pursuant to the Plan:—

1. The Property will be acquired by Nakina under an Agreement dated as of December 8, 1967 between Nakina, Uranium Ridge Mines Limited (Uranium Ridge) Lake-Osu Mines Limited (Lake-Osu) and Calmor Iron Bay Mines Limited (Calmor Iron Bay) in consideration of the issue of a total of 750,000 shares of Nakina of which each of Uranium Ridge, Lake-Osu and Calmor Iron Bay will receive 212,500 shares of Nakina and certain prospectors will receive 112,500 shares of Nakina.
2. In order to provide funds for Lake-Osu to permit it to participate in providing financing for Nakina, the Company has entered into an Underwriting and Option Agreement dated as of December 8, 1967, with Lake-Osu, whereby, subject to the shareholders of Lake-Osu approving the Underwriting and Option Agreement, the Company has agreed to purchase from Lake-Osu and Lake-Osu has agreed to sell to the Company, 200,000 shares of the capital of Lake-Osu to be taken up and paid for in full at the price of 25¢ per share forthwith after the effective date of such Agreement, and in consideration thereof and subject thereto, Lake-Osu has agreed to give to the Company, the sole and exclusive right and option to purchase from Lake-Osu a further 100,000 shares of the capital of Lake-Osu to be taken up and paid for in full at the price of 30¢ per share within 90 days of the effective date of such Agreement or such later date as may be approved by The Toronto Stock Exchange; and in consideration of the Company purchasing the 200,000 shares of Lake-Osu at the price of 25¢ per share, Lake-Osu will assign to the Company its option to purchase 200,000 shares of Nakina at the price of 50¢ per share and its option to purchase a further 100,000 shares of Nakina at the price of \$1.00 per share which Lake-Osu will acquire under a Financing Agreement made with Nakina. The effective date of the Underwriting and Option Agreement is the date upon which the shareholders of Lake-Osu approve and confirm its execution by Lake-Osu.
3. In order to provide funds for Uranium Ridge to permit it to participate in providing financing for Nakina, the Company has entered into an Underwriting and Option Agreement dated as of December 8, 1967, with Uranium Ridge, whereby, subject to the shareholders of Uranium Ridge approving the Underwriting and Option Agreement, the Company has agreed to purchase from Uranium Ridge and Uranium Ridge has agreed to sell to the Company, 200,000 shares of the capital of Uranium Ridge to be taken up and paid for in full at the price of 25¢ per share forthwith after the effective date of such Agreement, and in consideration thereof and subject thereto, Uranium Ridge has agreed to give to the Company the sole and exclusive right and option to purchase from Uranium Ridge a further 100,000 shares of the capital of Uranium Ridge to be taken up and paid for in full at the price of 30¢ per share within 180 days of the effective date of such Agreement; and in consideration of the Company purchasing the 200,000 shares of Uranium Ridge at the price of 25¢ per share, Uranium Ridge will assign to the Company its option to purchase 200,000 shares of Nakina at the price of 50¢ per share and its option to purchase a further 100,000 shares of Nakina at the price of \$1.00 per share which Uranium Ridge will acquire under a Financing Agreement made with Nakina.

The effective date of the Underwriting and Option Agreement is the date upon which the shareholders of Uranium Ridge approve and confirm its execution by Uranium Ridge.

Each of the two above mentioned Agreements are being submitted to the shareholders since all of the directors of the Company have an interest in each of the Agreements as each director of the Company is a director and/or an officer and/or shareholder of each of Lake-Osu and Uranium Ridge.

OTHER BUSINESS

The Management knows of no matters to come before the Meeting other than the matters referred to in the Notice of Meeting. However, if any other matters which are not now known to the Management should properly come before the Meeting, the proxies will be voted on such matters in accordance with the best judgment of the person voting the proxy.

On behalf of the Board,

D. A. HUNTLEY,

Secretary.

February 1, 1968.